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MT LEGISLATIVE HISTORY

Chapter 124 1987

Bill H ____ (S) 110 Original bill & hist. ___C

H. Committee on _____		S. Committee on _____	
Hearing Date(s) March 06	✓ C	Hearing Date(s) January 21	✓ C
_____	___C	_____	___C
_____	___C	_____	___C
_____	___C	_____	___C
Date Out March 06	✓ C	January 21	✓ C

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

CHAIRMAN--SEN. ALLEN C. KOLSTAD
NORMAL SCHEDULE==> SITE: ROOM 410 DAYS: MON THRU FRI TIME: 10:00 A.M.

SECRETARY-CAROLYN LINDEN

BILL NO	REFER DATE	HEARING DATE	CONSIDERATION DATES	COMMITTEE ACTION	REREFERRED TO COMM	DATE OUT
SB0005 HAFFEY, JACK	1/03	1/06	1/6/87 1/7/87	ADVERSE REPORT 1/7/87		1/7/87
REFUELING SERVICE AT SELF-SERVICE PRICE FOR HANDICAPPED DRIVERS						
SB0054 THAYER, GENE	1/06	------	---------	DIED IN COMMITTEE		-------
LOW-INCOME TELEPHONE ASSISTANCE PROGRAM						
SB0078 HAFFEY, JACK	1/09	1/14	1/14/87	DO PASS 1/14/87		1/14/87
TRANSFER REGULATION OF PASSENGER TRAMWAYS TO DEPARTMENT OF COMMERCE						
SB0079 HALLIGAN, MIKE	1/09	1/16	1/16/87 1/23/87; 1/30/87	PASS AS AMENDED 1/30/87		1/30/87
SMOKE DETECTORS IN HOMES SOLD OR TRANSFERRED						
SB0080 MAZUREK, JOSEPH P.	1/9	1/13	1/13/87	DO PASS 1/13/87		1/13/87
ALLOW INDIVIDUAL TO BUY STOCK IN DEVELOPMENT CORP; MEMBER NO PART IN CONTROL						
SB0083 MAZUREK, JOSEPH P.	1/10	1/13	1/13/87	DO PASS 1/13/87		1/13/87
CHANGING REPORTING REQUIREMENTS FOR ECONOMIC DEVELOPMENT BOARD						
SB0097 THAYER, GENE	1/13	1/20	1/20/87	DO PASS 1/20/87		1/20/87
REVISE ECONOMIC DEVELOPMENT BOND, MUNICIPAL FINANCE CONSOLIDATION LAWS						
SB0099 GALT, JACK E.	1/14	1/20	1/20/87; 2/16/87	PASS AS AMENDED 2/16/87		2/16/87
REQUIRE DEALER, WHOLESALE SELLER TO DISCLOSE GEMSTONE TREATMENT						
SB0110 THAYER, GENE	1/15	1/21	1/21/87	DO PASS 1/21/87		1/21/87
INVESTMENT OF IN-STATE INVESTMENT FUND IN MONTANA CAPITAL COMPANIES						
SB0115 GAGE, DELWYN	1/16	1/21	1/21/87; 2/5/87	PASS AS AMENDED 2/5/87		2/5/87
REQUIRING CONTINUING EDUCATION FOR LIFE AND DISABILITY INSURANCE AGENTS						
SB0117 HALLIGAN, MIKE	1/16	-----	-------	DIED IN COMMITTEE		------
ALLOWING DOMESTIC CORP. TO QUALIFY FOR STATE CONTRACT BIDDING PREFERENCE						

The hearing on SB 115 was closed.

CONSIDERATION OF SENATE BILL NO. 110: Sen. Gene Thayer, District 19, Great Falls, chief sponsor of the bill, said it would allow the Montana Economic Development Board to purchase debentures sold by Montana Capital Corporations. He said the intent is simple and many groups will agree there is a definite need in the state to promote and enhance debenture capital. It will give the MED Board the opportunity, if they choose, to invest in Montana Capital Corporations. At the present time there is one very active corporation with at least five more actively being pursued and in the process of being established, one of them in Great Falls, as a result of monies being made available by the Economic Growth Council of Great Falls. In January, 1986, the MED Board adopted a rule authorizing the purchase of debentures issued by capital companies and it was agreed to seek statutory language authorizing the program. He said this program would provide a needed source of long-term bonding leverage for capital companies and will expand financing programs of the MED Board allowing it to become slightly more risk-oriented and also allow the MED Board to diversify its portfolio.

PROPONENTS:

Jerry Sullivan, Vice Chairman of the Montana Economic Development Board, gave the history of the MED Board to the Committee, saying it was established in 1982 in response to Initiative 95. The Legislature then established the In-State Investment Fund from a portion of the permanent coal tax monies and at the present time that fund totals $36 million. To date, they have loaned $22 million of that to fund 76 firms in Montana, from a trucking firm to a furniture manufacturing firm. These have created several hundred new jobs and this has strengthened the abilities of these businesses to survive. This is tangible evidence of the State's willingness to help small business. The Board sees a need that can be met, to some degree, by its programs and that need is for risk capital to small but deserving projects. Senate Bill 110 will give them one more conduit through which they can help strengthen and diversify the state's economy. Providing risk capital to small but worthwhile companies who now have little or no access to risk capital is an area that needs attention. The MED Board recognizes there is a greater risk to the State, however, these will be first secured debentures in a net worth to the capital company and the Board may reach further into security such as patents and other collateral. Mr. Sullivan pointed out that at no time would these investments exceed 10% of the Board's portfolio which at the present time would amount to $3.6 million. The Board requests the Committee to act favorably on SB 110. (EXHIBIT 13)

Dick Bourke, President of the Development Corporation of Montana, distributed a handout to members of the Committee and urged passage of SB 110. Please note that the amendments referred to in Mr. Bourke's written testimony are not amendments to SB 110, but refer to the fact that SB 110 amends the In-State Investment Act of 1983. (EXHIBIT 14)

Mr. Steve Brown, member of the Economic Development Board, said he supports the bill and would be glad to answer any questions from the Committee.

OPPONENTS: There were no opponents to Senate Bill 110.

DISCUSSION OF SENATE BILL NO. 110: Chairman Kolstad asked for questions from the Committee.

Sen. Walker asked if there had previously been a limit on the amount invested. Bob Pancich, MED Board, replied that 10% of the total portfolio is the limit on the amount that can be tied up in debentures. They would probably look at no more than 10-15% in any other industry in the state. The Board also has a 10% limitation they can loan to any one individual borrower or company and that is the previous allocation of coal trust dollars given to the Board. Assuming they would receive $10 million, the maximum loan to one individual or company would be $1 million. In the case of a capital company, it wouldn't be restricted under SB 110. They could feasibly put all the money into one company if their net worth, under the Board's rules, would allow it. The rules allow for no more than 100% of their net worth. However, if the capital was increased and it was the only business coming in, they could do debentures up to the net worth but never to exceed 10% of their total funds.

In answer to a question from Sen. Williams, Mr. Sullivan said the MED Board, to date, has not lost any money and he did not recall anything past due at the present.

Sen. Weeding asked if the Economic Development Funds that are in-state invested when invested in the Capital Corporations, are they still committed to Montana businesses. Mr. Bourke replied that the Capital Company Act under which the Development Corporation operates has requirements in the statute as to how they invest their funds. At this point in time, they are required to invest their funds in businesses in Montana.

The hearing on SB 110 was closed.

DISPOSITION OF SENATE BILL NO. 110: Sen. Walker MOVED SB 110 DO PASS, seconded by Sen. Meyer. The MOTION PASSED UNANIMOUSLY.

The next meeting will be on Friday, January 23, 1987.

There being no further business, the meeting was adjourned at 11:19 a.m. by Chairman Kolstad.

Allen C. Kolstad

ALLEN C. KOLSTAD, CHAIRMAN

cal/ls

BUSINESS AND INDUSTRY COMMITTEE

50th LEGISLATIVE SESSION -- 1987 Date 1/21/87

NAME	PRESENT	ABSENT	EXCUSED
Allen C. Kolstad, Chairman	✓		
Ted Neuman, Vice Chairman	✓		
Paul Boylan	✓		
Delwyn Gage	✓		
Harry H. "Doc" McLane			✓
Darryl Meyer	✓		
Mike Walker	✓		
Cecil Weeding	✓		
Bob Williams	✓		
Gene Thayer	✓		

Each day attach to minutes.

DATE [illegible]

COMMITTEE ON [illegible]

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Check One: Oppose
Steven M Daniel	Montana Assoc. of Life Underwriters	SB 115	X	
Guy C. Siegel	" " " " "	SB115	X	
DARLynn NICHOLAS	" " " " "	SB115	X	
Verne Anderson	" " " " "	SB115	X	
ROBERT L. NIEBUHR	" " " " "	SB115	X	
Tom R. Hillis	" " " " "	SB115	X	
Vickey Anderson	None	SB115		X
PAT McKelvey	None	SB 110		
Kenneth L. Hoss	Mont. Assoc. Life Underwriters	SB 115		
[illegible]	None	SB 115		X
[illegible]	Montana Ins. Dept.	SB115		
Jerry Sullivan	Mont. Econ. Devel. Board	SB 110	X	
REGGIE GOOD	MONT. ASSN of LIFE UNDERWRITERS	SB 115	X	
NICK BOURNE	DAV. CORP of MT	SB 110	X	
M Susan Good	Consumer	SB115	X	
Steve Brown	Self	SB 110	X	
Bob Pancich	MEDA	SB110	✓	
KEITH OLSON	MT. Logging Assn	SB110	✓	
LYNN STRICKLAND	MT. Assoc. of Life Underwriters	SB 115	✓	
Jim Cornale	Farmers Ins Group	SB 115	As Amended	
Ernest A. Keller	North Montana Assoc. of Life Und.	SB115	As Amended	
Kurt Twining	MPLU	SB115	As Amended	
Dan Crum	MPLU			
[illegible]	Senior Citizens			
[illegible]	MSCA			

DCM
DEVELOPMENT CORPORATION OF MONTANA
350 North Last Chance Gulch • Post Office Box 916 • Helena, Montana 59624 • Telephone (406) 442-3850

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 14
DATE 1/21/87
BILL NO. SB110

BOARD OF DIRECTORS

Lee Carothers
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Kalispell, Montana

John N. Etchart
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Helena, Montana

Lynn D. Grobel
First National Bank
Glasgow, Montana

W.A. "Bill" Groff
Farmers State Bank
Victor, Montana

Randolph Jacobs, Jr.
Montana Bank of Billings
Billings, Montana

Earl W. Johnson
First Bank Helena
Helena, Montana

L Bruce Madsen
D.A. Davidson & Co.
Great Falls, Montana

Alan D. Nicholson
Nicholson, Inc.
Helena, Montana

John L. Olson
Blue Rock Products Co.
Sidney, Montana

George R. Ruff
Mountain Bell
Helena, Montana

Masahito Saigusa
The Long Term Credit Bank of Japan, Ltd.
Los Angeles, California

Phillip R. Sandquist
First Security Bank
Bozeman, Montana

Thomas W. Scott
Security Banks of Montana
Billings, Montana

Wilbur Scott
Montana Board of Investments
Great Falls, Montana

Frank W. Shaw
Norwest Bank Great Falls
Great Falls, Montana

Raymon F. Thompson
Semitool, Inc.
Kalispell, Montana

Frank V. Woy
Montana Power Company
Butte, Montana

TESTIMONY IN SUPPORT OF SENATE BILL 110

OBJECTIVE

To allow the Montana Economic Development Board (MEDB) to purchase debentures sold by Montana Capital Companies.

DEFINITIONS

Montana Economic Development Board - The board established to implement I-95, and the resulting In-State Investment Act. Currently manages $34 million in assets.

Debenture - A secured promissory note, with interest only payments until maturity, and full principal repayment at maturity.

Montana Capital Company - A Montana-based venture capital company created pursuant to Title 90, Chapter 8.

BACKGROUND

In January, 1986, the MEDB adopted a rule authorizing a program allowing for purchase of debentures issued by Capital Companies.

Upon further review, it was agreed to seek specific statutory language authorizing the program.

DCM counsel and MEDB have jointly developed the bill, consistent with state laws governing investment and the programs of the in-state investment fund.

The MEDB endorses the bill.

REASONS FOR THE PROPOSED BILL

1. The debenture program will provide a needed source of long term, fixed-rate leverage for capital companies.

2. It will expand the financing programs of the MEDB, and allow it to become slightly more risk-oriented.

3. It will allow the MEDB to diversify its portfolio.

4. The original sponsors of the In-State Investment Fund, Dan Kemmis and Tom Towe, supported this debenture proposal during administrative hearings held by the MEDB.

THE AMENDMENTS

1. P.1, lines 16-17
   Definition of capital companies

2. P.2, lines 8-10
   Clearly states that purchase of a debenture is not a "loan participation".

3. P.3, lines 10-11
   Clearly states that the purchase of a debenture issued by a capital company is not a direct loan.

4. P.4, lines 2-3
   Allows for a single capital company to issue a total amount of debentures exceeding 10% of the prior years coal severance tax deposits into the In-State Investment Fund.

5. P.4, lines 3-6
   Sets upper limit on total amount of capital company debentures MEDB may purchase.

6. P.4, lines 20, 23-24
   Provides that capital companies are treated in the same manner as financial institutions.

STANDING COMMITTEE REPORT

JANUARY 21, 1987

MR. PRESIDENT

We, your committee on BUSINESS AND INDUSTRY

having had under consideration SENATE BILL No. 110

FIRST reading copy (WHITE color)

INVESTMENT OF IN-STATE INVESTMENT FUND IN MONTANA CAPITAL COMPANIES

Respectfully report as follows: That SENATE BILL No. 110

DO PASS

~~XXXXXXPASS~~

SENATOR KOLSTAD Chairman.

Form CS-32
Rev. 1985

STATUS SHEET

50th LEGISLATIVE SESSION

BUSINESS AND LABOR COMMITTEE

ATE LL BER	ENTERED COM. DATE	DATE CON-SIDERED	OUT OF COM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMENDED DATE	DO NOT PASS AS AMENDED DATE	BE CON-CURRED IN DATE	BE NOT CON-CURRED IN DATE	BE CON-CURRED IN AMENDED DATE	BE NOT CONCURREI IN AS AMENDED DATE
)3	2/24/87	3/11/87	3/12/87					3/12/87			
10	2/4/87	3/6/87	3/6/87					3/6/87			
5	2/18/87	3/6/87	tabled 3/6/87								
8	2/11/87	3/10/87	3/17/87							3/17/87	
0	2/11/87	3/5/87	3/5/87							3/5/87	
8	2/18/87	3/6/87	3/6/87							3/6/87	
0	2/11/87	3/4/87	3/4/87					3/4/87			
2	2/11/87	3/5/87	3/5/87					3/5/87			
6	2/11/87	3/10/87	3/13/87							3/13/87	
8	2/24/87	3/10/87	3/10/87					3/10/87			
8	3/3/87	3/17/87	tabled 3/27/87								
2	2/11/87	3/10/87	3/10/87							3/10/87	
5	3/03/87	3/17/87	tabled 3/17/87								
0	3/3/87	3/18/87	3/18/87							3/18/87	

separate sheet for Senate Bills, House Bills, and Resolutions.

staffing, increased costs associated with the merger, and the mission of smaller loans be preserved.

OPPONENTS

None.

QUESTIONS

Rep. Simon asked Jim Howeth about the exempt positions. He replied that there would be six exempt positions between the two boards. He said that five more exempt positions have been proposed to handle the investment load but the bill had been tabled after the consolidation bill was proposed. He said with the consolidation there would be sufficient employees to handle the work load. He said that additional office space would need to be rented.

Rep. Swysgood asked Steve Brown about the concern that the Economic Development Board would be overshadowed by the Board of Investments having more say over what happens or the direction not the same. Steve Brown said the bill allows the sharing of staff but does not allow flexibility. He said the six exempt positions should be allocated according to the needs of the combined boards. He said the concept of combining the boards originated in the Governor's office after discussion with the Board of Investments.

Rep. Hanson said the intent of the Economic Development Board was different than the Board of Investments. Steve Brown replied that the reason the Economic Development Board exists today is there was belief that the Board of Investments was not doing enough instate investing. He mentioned the loan limits and the ability of additional funding use by combination of the two boards. He mentioned that the Board of Investments needed additional exempt positions to deal with their side and also wanted to be able to take advantage of the expertise of the Economic Development Board in the commercial loan area.

CLOSING

Sen. Neuman said by combining the two boards it would encourage more in-state investment. He pointed out that the Board of Investments has $125 million invested in Montana and the Economic Development Board has $20 million. He said the Board of Investments needed additional staff.

SENATE BILL NO. 110 - Sen. Darryl Meyer, Senate District 17 Great Falls, introduced SB 110. He said the bill would amend the Montana In-State Investments Act of 1983 to provide for investments and to allow the Montana Economic

Development Board to purchase debentures sold by Montana Capital Companies.

PROPONENTS

Jim Bourke, president of the Development Corporation of Montana, testified in support of the bill. He distributed information about the corporation structure including proposed amendments (Exhibit 2).

Jerry Sullivan, vice chairman of the Montana Economic Development Board, testified in support of the bill. He discussed the creation of the board as a result of the passage of Initiative 95. He said the voters expressed their desire for the state to invest in Montana. He pointed out that the Coal Tax loans have strengthened the businesses' ability to survive in a hostile economic environment through long-term, fixed rate financing. He said this would help strengthen and diversify the economy. He said the bill would allow the board to consider purchasing debentures from qualified capital companies. The companies would invest the funds in projects that traditional lenders could not reach. Providing risk capital to small companies who now have little or no access to risk capital is an area that needs attention in Montana. He pointed out that the investments would not exceed 10 percent of the board's portfolio, which presently amounts to $3.6 million. He said the reserve for bad debts is needed as the projects undertaken under SB 110 strengthen the need for the reserve.

Stewart Doggett, representing the Montana Chamber of Commerce, supports SB 110. He said the Montana Chamber supports efforts to create more venture capital in the state.

OPPONENTS

None.

QUESTIONS

None.

CLOSING

No further comments.

SENATE BILL NO. 218 - Sen. Darryl Meyer, District 17, Great Falls, introduced SB 218. He said the bill was designed to continue insurance for protection of the Medicare Supplement Insureds in Montana. These are primarily the senior citizens.

there was no reason why this bill had to be effective earlier than October because audits would not even be conducted until 1988. He pointed out that there were additional expenses if this bill were in effect early. The question was called. The motion carried with Rep. McCormick.

The question was called on the motion to be concurred as amended. The motion carried with Rep. Driscoll voting NO.

ACTION ON SENATE BILL NO. 218

Rep. Thomas moved SB 218 BE CONCURRED IN. The motion carried unanimously.

ACTION ON SENATE BILL NO. 110

Rep. Hanson moved SB 110 BE CONCURRED IN. The question was called. The motion carried unanimously.

ADJOURNMENT:

The meeting was adjourned at 11:10 a.m.

Les Kitselman

REP. LES KITSELMAN, Chairman

DAILY ROLL CALL

BUSINESS & LABOR COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date MARCH 6, 1987

NAME	PRESENT	ABSENT	EXCUSED
REP. LES KITSELMAN, CHAIRMAN	✓		
REP. FRED THOMAS, VICE-CHAIRMAN	✓		
REP. BOB BACHINI			✓
REP. RAY BRANDEWIE	✓		
REP. JAN BROWN			✓
REP. BEN COHEN	✓		
REP. JERRY DRISCOLL			✓
REP. WILLIAM GLASER	✓		
REP. LARRY GRINDE	✓		
REP. STELLA JEAN HANSEN	✓		
REP. TOM JONES	✓		
REP. LLOYD MCCORMICK	✓		
REP. GERALD NISBET	✓		
REP. BOB PAVLOVICH			✓
REP. BRUCE SIMON	✓		
REP. CLYDE SMITH	✓		
REP. CHARLES SWYSGOOD	✓		
REP. NORM WALLIN	✓		

STANDING COMMITTEE REPORT

MARCH 6 19 87

Mr. Speaker: We, the committee on BUSINESS AND LABOR

report SENATE BILL NO. 110

☐ do pass
☐ do not pass

☒ be concurred in
☐ be not concurred in

☐ as amended
☐ statement of intent attached

REP. LES KITSELMAN Chairman

THIRD reading copy (BLUE)
color

HB 110

DEVELOPMENT CORPORATION OF MONTANA
350 North Last Chance Gulch • Post Office Box 916 • Helena, Montana 59624 • Telephone (406) 442-3850

BOARD OF DIRECTORS

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Helena, Montana

L. Bruce Madsen
D.A. Davidson & Co.
Great Falls, Montana

Alan D. Nicholson
Nicholson, Inc.
Helena, Montana

John L. Olson
Blue Rock Products Co.
Sidney, Montana

Jorge R. Ruff
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VISITORS' REGISTER

BUSINESS AND LABOR COMMITTEE

BILL NO. SENATE BILL NO. 110 DATE March 6, 1987

SPONSOR SENATOR GENE THAYER

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Jerry Sullivan	MEDB	✓	
Dick Bourke	DAV - Coord of MT	✓	
Steve Brown	MFDB	✓	
Stan Doggett	MT Chamber of Commerce	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

CS-33